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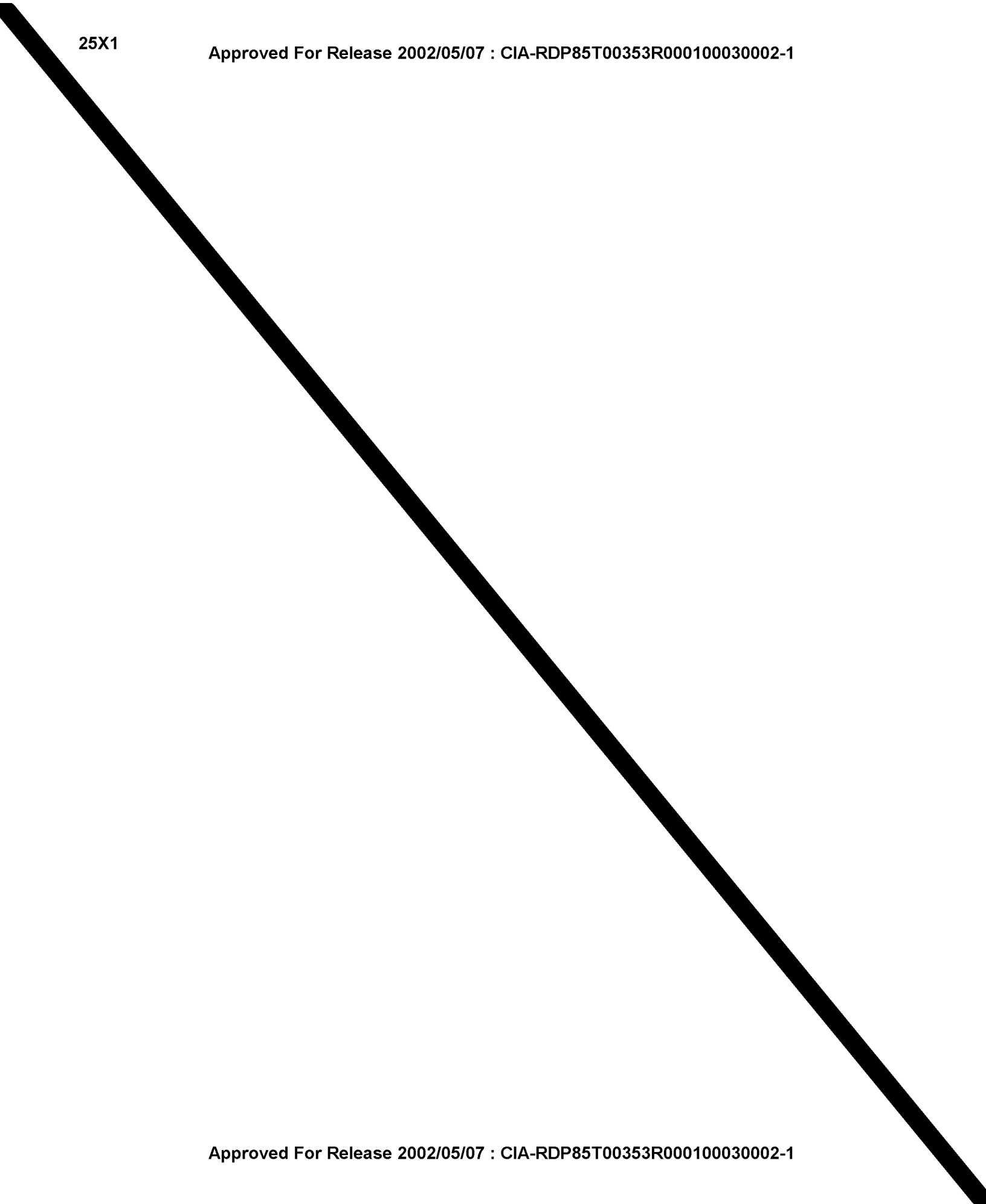

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March 11, 1974

TORRIJOS AND THE PANAMA CANAL

Since becoming the political leader of Panama in 1968, Brigadier General Omar Torrijos has often said that his biggest frustration has been the lack of progress toward a new treaty covering the Panama Canal. During the past few months, however, Torrijos has perceived a considerable improvement in the prospects for replacing the 1903 canal pact. Two rounds of talks with the US canal negotiator, Ambassador Ellsworth Bunker, brought agreement on a set of eight principles to guide the treaty negotiations. Torrijos considered the visit of Secretary Kissinger to sign this agreement on February 7 a major personal triumph, and he hopes that a treaty will be signed this year.

He believes the "right" pact would ensure him a high place on the list of national heroes, and would enable him to move forward with the social and economic reforms which, he believes, will lead to a "New Panama." Furthermore, with a new treaty under his belt and increased income from higher canal payments, he will have greater freedom to take foreign policy initiatives, such as strengthening ties with "third world" and Communist nations. Torrijos believes that these benefits will outweigh the criticism by some Panamanians who he expects will charge him with "selling out" to the US.

Torrijos is determined that the new treaty bear his personal trademark. It must include all the benefits for Panama that were incorporated in the drafts prepared during the 1965-67 negotiations, plus a good deal more. As a man who aspires to be known as a true nationalist and reformer, he must get a better deal than the oligarchs who ruled Panama before him.

To be acceptable to Torrijos, any treaty must:

- Eliminate the "government within a government" in the Canal Zone, and implement Panamanian sovereignty there;

- Set a fairly short deadline—probably no more than 25 years—for Panama to take over control of the present canal, and only a slightly longer one to take over any canal that may be built in the future;

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• Secure increased economic benefits for Panama from the operation of the present and future canals and from US payments for the use of land and facilities for the protection of the canal;

• Limit the number, size, and functions of US military bases and provide for consultation with and participation of Panama in the protection of the canal.

The Panamanians [redacted] will be more flexible on some issues than others. It would be very difficult for Torrijos to accept a date for Panama to take control of the canal beyond the year 2000 that was stipulated in the 1967 draft. The Panamanian negotiators also will press hard to obtain early evidence of their country's jurisdiction in the zone, such as control of police and fire departments, the courts, hospitals, schools, and the mails. They recognize that some US military presence will be necessary to protect the canal until Panama takes it over, but they will call for the negotiation of a status-of-forces agreement that provides payment for US military installations.

Omar Torrijos

The Panamanians have refrained from emphasizing economic issues, partly because they consider the canal question a moral and legal, rather than a financial problem, and partly because they think that financial concessions will be the easiest kind to win from the US. They almost certainly will not accept the $25-million annual payment that was offered in 1967, and are probably thinking in terms of $50-100 million per year. Torrijos will probably continue his habitual policy of waiting for the US to make proposals before making his own counteroffers.

Domestic Influences on Torrijos

Torrijos is confident that the great majority of Panamanians support his handling of the canal issue, and he will informally consult with students and other groups during the negotiations to ensure that this backing does not erode. In fact, he has promised to hold a plebiscite on the treaty before signing it. His currently strong position is a result of his success in achieving several domestic goals he set early in his administration. He has consolidated and legitimized his regime, earned for it a considerable degree of public approval, and maintained one of the highest economic growth rates in Latin America. He has worked particularly hard to gain the support of youth, peasants, and urban labor. He has substantially expanded educational opportunities, created a Labor Ministry, raised the wage level, and promoted low-cost food and housing programs. In his frequent trips to areas outside the capital, he has been cautious about making promises he is not certain he can fulfill.

Torrijos calls his government "revolutionary." The basic elements of this "revolution" seem to be a shift in power from the traditional political and economic elite—the "oligarchy"—to the middle and lower classes; a number of fundamental changes in the institutions of government; and a modification of social values and goals, with strong emphasis on nationalism. A key goal of his government is national integration, meaning not only the elimination of the foreign-controlled zone that physically divides the country, but also the integration of all Panamanians—peasants, Indians, and slum dwellers as well as businessmen and wealthy farmers—into the national society. Most of his policies have been rooted in a mixture of nationalism and populist reformism. The slogan "Neither with the right nor with the left, but with both hands for Panama" not only reflects his pragmatism, but also captures his approach to government. Torrijos has done little toward organizing a political movement that could channel mass support for him. He believes that reforms cannot be carried out through the traditional party system, but that the creation of a new broadly based movement led by him and independent of the National Guard would not be acceptable to senior Guard officers.

Thus far, Torrijos has not seriously tried to alter fundamentally Panama's economic system based on international commerce and banking. To have done so precipitously would have provoked economic disaster for Panama and foreshadowed the end of Torrijos' political power. The fairly modest reforms have been improvised largely by a small group of young, middle-class civilian administrators who support the regime because they view it as an opportunity to push for social and economic change within an over-all program of national development.

There has been a discernible trend toward greater regulation of private industry, as well as an underlying hostility toward the former political establishment in which all parties were bound up with vested economic interests. Most businessmen have never liked or trusted Torrijos. They look down on him because of his modest, rural origins. More important, they fear that his economic policies may harm and eventually destroy the private sector. The economic power of this group is greater than its numerical size would indicate, and it retains a measure of influence on Torrijos. Its influence has declined, however, as Torrijos' confidence in his ability to handle the group has grown.

Some businessmen, especially progressive-minded members of the new generation, understand the nature of Torrijos' government and have decided they can live and prosper with it. Others have exploited the expanding economy to advance their business interests, but are worried about what the future under a Torrijos government might hold for them. Still others are merely enjoying the present economic boom while awaiting the right time to join an effort to overthrow Torrijos. The economic elitists have seldom fared well in direct confrontations with Torrijos, and now are resorting to less risky tactics such as accusing him of "selling out" by giving up too much in the canal negotiations. They will probably receive some support in this effort from ultra-nationalists of the far left and right, who fear that they will lose their main issue if Torrijos succeeds in getting a new pact.

The key group to which Torrijos must ultimately sell a new treaty is the National Guard—the cornerstone of his regime. At 45, Torrijos is the Guard's only general officer. He is some years older than other officers, most of whom seem to prefer to have him in charge rather than any of their contemporaries. A few officers did attempt to oust Torrijos in 1968 and 1969, but none has challenged his leadership since. The officers of the General Staff continue to have at least a consultative role in national decision-making, and the commanders of the ten military zones are the most powerful local representatives of the national government. Their loyalty to Torrijos is based on his continued effective performance, and he makes frequent personal contacts at all levels of the Guard in order to reinforce his authority and his image of competence. He also uses the Assistant Chief of Staff for Intelligence, Lieutenant Colonel Manuel Noriega, to keep a finger on the pulse of the Guard. Thus far the Guard leaders appear to have let Torrijos handle the canal negotiations without much interference, and they are likely to approve any treaty that Torrijos signs. Nevertheless, he will make sure that the Guard endorses the treaty before he fulfills his promise to hold a plebiscite.

Foreign Policy Implications

With a new treaty concluded, Torrijos would have greater freedom to pursue a more independent foreign policy. Torrijos is sensitive to his country's traditional reputation as a "protectorate" of the US and is eager to strike an independent pose. Yet as long as the negotiations are under way, he has to consider the effect that any major foreign policy initiatives would have on the talks.

Thus far in his dealings with other governments, Torrijos has concentrated on securing support for Panama's side of the canal issue and bringing that support to bear in its negotiations with the US. To a degree, nationalistic forces in Latin America have reinforced Torrijos' determination to conclude a new and more favorable deal with the US. When other Latin American leaders declare that political independence is a sham without economic independence and insist on controlling their national resources, the Panamanian Government is reminded of its own situation and the lack of control over what it views as its primary endowment—the canal.

Torrijos has been cautious about building firm diplomatic and political ties with other regimes. On his first South American tour, he chose to visit leaders of the governments he apparently feels closest to. Torrijos looks up to President Peron of Argentina as the father figure of Latin American military leaders, and as an early promoter of the concept of economic independence and the inter-relationship of the countries of the "third world." Similarly, he looks on Velasco in Peru as somewhat of a "brother"; both took power in October 1968 and are determined to carry out economic and social "revolutions" in their countries.

Torrijos values his friendly relationship with Fidel Castro as certification of his "revolutionary" credentials, but has made no overtures to establish diplomatic relations with Havana. Nevertheless, Panama has extensive ties with Cuba, which are steadily expanding. The official Cuban news agency has an active bureau in Panama City; cultural delegations from both countries frequently exchange visits; trade is gradually expanding; and Cuba has sent numerous agricultural technicians to Panama. As long as Torrijos believes that he has a good chance of getting an acceptable canal treaty from the US, he is not likely to risk it by establishing diplomatic relations with Cuba.

If, on the other hand, the negotiations break down, or if Torrijos concludes that the US is seriously working to improve relations with Havana, he would want a quick tightening of his own ties with Castro, possibly

including the establishment of diplomatic relations. Torrijos also has held off establishing diplomatic ties with the USSR and China because of the canal issue. If the treaty talks are broken off or reach an impasse that leads Torrijos to believe that he has no chance for a negotiated "victory" on the canal question, he would probably seek support from any and all quarters.

A Treaty in 1974?

During the last few months Torrijos seems to have begun seriously working for a new treaty. Previously, both he and his predecessors had often treated negotiation of a new pact as a matter of the utmost urgency only to develop second thoughts when the US agreed to negotiate and agreement seemed within reach.

Part of Torrijos' present optimism is a result of US initiatives. The appointment of Ambassador Bunker fulfilled Torrijos' desire to deal with a senior negotiator whose views are respected in Washington. He considered the visit of Secretary Kissinger to sign the negotiating principles an important sign of progress, and he viewed the White House's request for congressional authority to transfer two airfields in the Zone to Panamanian jurisdiction as evidence of Washington's good intentions. He believes that the US now is focusing on the canal issue, and he probably wants to conclude a treaty before the next US presidential campaign gets under way. On the domestic scene, he has raised his people's hopes for a treaty and does not want to disappoint them. The sooner he signs a treaty, the sooner the economy will benefit from increased US payments.

There are several factors, however, that could delay a new pact. Paramount is Torrijos' fear of signing the "wrong" treaty. He knows that he must be able to defend the treaty against some groups of Panamanians who will attack a settlement no matter what form it takes. At the same time, he will want a careful assessment from his influential ambassador in Washington on the attitude of the US Congress to make sure the treaty will not die there after it is signed. Although Torrijos has often told US officials that he is under heavy pressure to conclude an agreement, the fact remains that he has generated much of this pressure himself. There are no organized groups clamoring for an immediate agreement.

Indeed, Torrijos probably believes that, at least in the short run, it is the US that is under international pressure to conclude a treaty, and—given his concern for his place in Panamanian history—he may be more interested in winning dramatic concessions than in speed. He will want to maintain a favorable negotiating climate while also pressing the US to yield more. For the past several months he has obtained several of his secondary objectives without having to do much more than take a somewhat less belligerent attitude.

If things stop going his way, he may return to bluster and threats. He could turn up the volume of the ever-present propaganda campaign against the US presence in the canal. He could also order his diplomats to try to gain further support—even if only symbolic—from other countries for the Panamanian cause. He might go beyond this and initiate a minor harassment campaign, such as interfering with the movement of US personnel into and out of the Zone. The most drastic action he could take would be to promote demonstrations on the border, which would run the risk of leading to incursions and bloodshed, as when the students demonstrated in 1964. This, however, could result in a major long-term defeat for Torrijos because it would smash his hopes for a treaty and might lead to uncontrolled violence that could imperil his regime.

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